

IRS News Release

Media Relations Office

Washington, D.C.

Media Contact: 202.622.4000

www.irs.gov/newsroomPublic Contact: 800.829.1040

IRS Sends Compliance Questionnaires to 400 Colleges and Universities

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WASHINGTON – Approximately four hundred U.S. colleges and universities will begin receiving compliance questionnaires from the Internal Revenue Service in the next few days as part of the agency's focused effort to study key areas in the tax-exempt community. The college and university questionnaire will focus on unrelated business income, endowments, and executive compensation practices. The questionnaires are being sent to a cross-section of small, mid-sized and large private and public four-year colleges and institutions.

Private nonprofit universities are generally exempt from tax under Internal Revenue Code section 501(c)(3) and like state universities are subject to unrelated business income tax.

"This effort reflects our work to build a better understanding of the largest, most complex organizations in the tax-exempt sector," said Doug Shulman, IRS Commissioner. "The information gathered will help us identify issues and areas that may need more outreach and education or further scrutiny."

Among other things, the questionnaire will gather information from the schools about how they report revenues and expenses from their trade or business activities, classify their activities as exempt or taxable activities, and calculate and report income or losses on taxable activities. The questionnaire also will gather information regarding how the organization invests and uses its endowment funds and determines compensation of certain highly paid individuals.

The IRS said it expects to receive most of the responses within the next several months, analyze the results of the compliance questionnaire, and conduct examinations of a sample of the organizations. The IRS said it expects to issue a report on the project in 2009.